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LACHIEVING BALANCED GROWTH
IN MONTANA

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By

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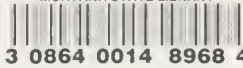


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BALANCED GROWTH IN MONTANA

Introduction

Montanans in the 1970's have declared, through a new State Constitution and through new state and local policies, a commitment and determination to control the destiny of their state. With this commitment, Montanans asserted a desire to be treated by the rest of the world not as a colony - but as a partner. Responding to forces from outside the state, Montanans have not turned inward in a provincial manner, but have turned outward in an assertive and confident manner willing to work with people and governments from far away on partnership terms.

The new commitment to shaping the future of the state has resulted in efforts to address a broad range of public needs in a balanced way. What does it mean that Montana has addressed a broad range of needs in a balanced way? It has meant efforts such as the following:

- - - Instead of yielding to pressures for the exploitation of the state's energy and other resources, Montana has made a strong commitment through several new laws to protecting the environment and to insuring that an economic bust does not follow an energy boom.
- - - Instead of chasing smokestacks in pursuit of any new jobs, efforts have begun to improve the state's economy in a manner that emphasizes small businesses, creative entrepreneurship, community leadership, and respect for the state's resources.

- - - Instead of being content with housing persons with special problems in state institutions, programs were established to provide these persons with training, treatment, or rehabilitation. Many of those programs were established in local communities, so that some persons could leave the institutions and live closer to their homes.

- - - Instead of allowing Montana's water to be claimed today without regard for the future, water is being reserved to serve the agricultural, environmental, municipal, and economic needs of tomorrow.

Other efforts could be cited as well -- efforts to develop renewable energy sources for the future, to guarantee equal opportunity through human rights programs, to respond compassionately and effectively to the needs of all persons with handicaps, and to maintain quality education and expand the variety of educational opportunities. The point of noting these and other efforts is that instead of addressing only a few needs, Montanans have chosen to act through a modern government to address many needs in a strong and balanced manner.

It was to continue and build on the progress of this decade that Governor Judge initiated a Balanced Growth Program in May of 1978. This program, as announced by the Governor and as carried out, is an effort to involve both citizens and officials of Montana in developing ideas for policies that will continue to shape the future of Montana in a balanced way. To begin the program, the Governor created a Committee for Balanced Growth that was comprised

of four task forces, one for each of the following issue areas: 1) Energy, Environment, and Natural Resources, 2) Urban/Rural Development, 3) Human Services, and 4) General Government. Each of these task forces were charged with developing reports on major issues in their areas, with using the results of previous citizen participation programs, and with initiating opportunities for citizens to contribute further ideas concerning future state policy.

These task forces, comprised of state officials in each subject area, worked through the summer and fall of 1978 to prepare their initial recommendations on an extensive agenda of issues. From those initial reports, 16 issues were selected for a series of public forums conducted in 12 Montana cities in December, 1978. The results of those forums were reported in a document entitled, Montana's Future: A Public Decision. The public response at the forums combined with the previous task force studies were used in formulating the Governor's recommendations to the 1979 Legislature.

The program continued after the legislative session, and the leaders of the task forces decided to have this report prepared. This report summarizes long-term trends and issues involved in trying to achieve balanced growth in Montana. Recommended balanced growth goals and policies are presented for major subject areas. Detailed alternatives for further implementation of these policies are identified

for the purposes of further public comment. It should be stressed that the alternatives are not official recommendations, but are ideas presented for public discussion and response.

Underlying the Balanced Growth Program is the recognition that activities and policies in one area of government are often connected to each other and should be coordinated on a reasonable and consistent basis. It is possible, for example, for a state to choose to develop its economy in a way that damages the environment and creates social problems that cannot be solved. It is also possible -- and this is the choice made in Montana in the 1970's -- to develop an economy that supports a quality social and natural environment. It is possible to ignore human needs and limit the opportunities that people have to develop and use their talents to contribute to the quality of their communities and state. It is possible also to recognize those needs and allow those opportunities so that people can, in the long run, make their best contributions to their world in all its aspects. Again, the better choice has been made in Montana. But to continue to make those kinds of choices requires a constant effort to make decisions with an understanding that there are many public needs and that those needs are related to each other. The Balanced Growth Program is based on that kind of understanding.

The program is based also on an understanding of Montana's relationship with the rest of the world. Although the rest of the world sometimes intrudes on Montana in what seems like harsh ways, that world also provides a market for Montana products and a source of funds for many of its public needs. The best way to deal with this world is for Montana to clearly chart its own course and to represent its needs and hopes to the rest of the world as strongly as possible. The Balanced Growth Program can help with this effort by continuing the process of exploring Montana's future course.

In making choices for the future, it needs also to be recognized that there are many factors and conditions that the state cannot and should not control. Throughout this report background factors and conditions are discussed for each subject area. What will be noted here is that Montana experienced an increased rate of growth in its population in the 1970's. Although Montana's population grew only slightly in the 1960's, it has grown at the moderate and positive rate of 1.3% a year between 1970 and 1977. A desirable feature of the growth is that it has been spread across most of the state. In particular, rural counties that had lost population in the 1960's were, on the average, growing in this decade. Some areas with long-term economic problems continue to lose population,

but the number of areas losing residents has declined significantly. Overall, a moderate rate of growth in the state's population probably creates more opportunities than problems and is preferable to a decline or too rapid a rate of growth.

This report discusses issues in the following subject categories: Operation of Government, Economic Development, Energy, Agriculture, Environment, and Human Services and Education. Although issues are divided into categories for easier discussion, it should be understood -- as it is recognized in this report -- that the issues in the different areas are related to each other. The format for each section is the same: a discussion of conditions and trends, followed by recommended balanced growth goals, then a summary of balanced growth policies, and finally alternatives for discussion -- alternatives that could be chosen for implementing the policies of balanced growth further.

Early in this program, the Committee for Balanced Growth developed a set of principles that provided a theme for the effort. They also provide a theme for this report and are presented here with that purpose in mind.

Principles of Balanced Growth

The Committee for Balanced Growth expressed its belief that "By adhering to some basic principles which the Montana citizen and body politic have consistently

reaffirmed the state can achieve natural, balanced growth." Those basic principles included the following:

- - - Montana shall encourage the conservation and maintain the quality of its natural resource base -- land, water, air -- to provide a sustained yield and continuing basis of employment and income for the state's citizens while supplying food, fiber, and recreation for itself, the nation and the world;

- - - Agriculture is vital to the future of Montana. The state shall remain committed to the preservation and enhancement of the agricultural sector of the economy, and prevent unnecessary conversion of prime agricultural land and water suitable for irrigation to non-renewable uses;

- - - The state shall encourage the development of renewable energy sources and energy conservation to extend the use of less expensive hydroelectric power and to avoid using consumable energy sources;

- - - The state shall encourage local decision-making in questions of economic development. Consistent with local preferences, Montana shall encourage the economic revitalization of those areas within the state which have experienced decline and assist people in rural areas find decent jobs near their homes;

- - - Montana recognizes the importance of an educated citizenry and the value of a productive, well-trained work force. The state shall provide a quality elementary and secondary school system and other educational programs as necessary to meet the intellectual and career development of Montana's citizens;

- - - Montana shall seek opportunities for all citizens so that they may participate in the state's economy to the fullest extent. To that end, Montana is prepared to provide income security, training, and rehabilitative services to those in need;

- - - State government is to provide services to the citizens of Montana and shall do so effectively and at minimum cost;

- - - Montana is committed to the practice of citizen participation in all levels of government decision-making;

- - - All citizens have a share in the future of Montana, the services state government provides, and a responsibility in the cost of providing those services.

OPERATING MONTANA GOVERNMENT

Conditions and Issues

Montana state government in the 1970's has undergone reforms that make it a modern and responsive instrument of democratic rule. Foremost among the reforms was the adoption of a new constitution that is a reflection of a knowledgeable, assertive, and responsible electorate. The adoption of the new constitution was preceded by the reorganization of the executive branch approved by the voters in 1970.

The renaissance of Montana government in the 1970's is evident in the progress made in enacting new laws and improved programs to protect the environment, to respond to energy challenges, to improve human service programs and the care and treatment of persons at state institutions, to promote agricultural exports, and to begin a balanced economic development program. At the same time that these improvements were being made, significant property tax relief was financed and no general tax increases were allowed. The level of state government employment in the 1970's has been carefully controlled and has responded to the need for fiscal restraint in recent years.

The state tax system in Montana is more progressive than the tax systems in other states because it depends on

a progressive state income tax instead of a sales tax. Severance taxes exist to offset the depletion of the resource base from the extraction of non-renewable resources. User taxes are also levied where appropriate to assign the cost of programs to those who benefit from those programs. Overall, according to a detailed study by the National Institute of Education, Montana's tax system, unlike that of many other states, does not ask Montanans to pay more than the state's tax capacity as measured by its relative economic wealth.

How to continue a responsive, effective, and efficient state government is a general concern of this report. Certain major issues concerning the operation of government will be examined here.

Some of the difficulties that might arise as obstacles to effective government are matters over which Montana can exercise little direct control. National economic trends of inflation, lagging economic growth, and persistent unemployment squeeze the state government budget in the same way that they squeeze the family budget. A continuation of these trends could produce a situation in which it is no longer possible to maintain fiscal restraint without cutting many desirable and needed state services. Montana can do little to change national economic conditions. It can, however, continue to seek ways of improving the management and efficiency of state

government. Montana can also continue and expand efforts to promote agricultural exports and to diversify and strengthen the state's economy in an environmentally-sensitive manner.

A continuing concern in the operation of government is the question of whether the results of state programs are worth their cost. Government does not have a convenient indicator like a profit and loss statement by which it can measure the effectiveness of its activities. Ultimately, government relies on the judgment of elected officials to determine which programs are worthwhile and which are not. Both the Governor and the Legislature are assisted in making judgments about the funding of programs by information that they receive from the public and from their professional staffs. Hard data measuring the results of government activities is difficult and costly to produce. One issue is whether officials and the public would find it worth the cost to do the studies and set up the procedures necessary for generating additional data measuring the effectiveness of governmental programs.

Although Montana state government has been substantially restructured and modernized in the 1970's, local government has not been. The 1972 State Constitution provided the framework for the improvement of local government. Constitutional change in this area has not

been followed by statutory implementation. The Legislature has twice refused to enact laws providing for stronger and more flexible local governments. Urban areas have grown beyond the boundaries of cities, but counties lack the ordinance-making power appropriate to governing urban areas. At the same time, annexation of such areas into cities is often difficult because of obstacles to annexation in Montana law. Local governments have also not been given flexibility in performing their fiscal and management functions. The need to enable local governments to be responsive to the needs of their individual communities remains a major governmental issue in Montana.

The positive achievements in the areas of protecting the environment, managing energy development impacts, defending persons against discrimination, and protecting the consumer have generally taken the form of the enactment of general state laws to be implemented through administrative rule-making and adjudication in specific cases. This administrative decision-making has been guided by both specific and general requirements for procedures to insure the fairness and openness of administrative proceedings for all concerned parties. The extent of the procedural requirements are viewed by some as essential to insuring access by citizens to decision-making and by others as costly and cumbersome procedures that insure access only to those who understand complex

rules or who can afford representation in proceedings.

Some persons have argued that the same activities could be undertaken with less administrative decision-making if the Legislature provided more extensive and detailed policy decisions within the laws they enact. At the same time, even more detailed legislative policies would still need to be applied to specific cases by administrative agencies. If state government is to play the active and positive role supported by Montanans in the 1970's, dilemmas will occur concerning how to do those things in an effective and efficient manner and still provide for access to the decision-making process by citizens. In short, how can you get everyone in on the act and still get action?

Balanced Growth Goals for Government

The Governor's Balanced Growth Committee has recommended the following goals to guide the general operation of Montana government:

State government should guarantee the constitutional rights of every individual and should respect those rights in the conduct of all its activities.

State government should effectively achieve the purposes assigned to it at the least possible cost and with the least possible interference with individual freedom.

State government should be open, accessible, and accountable to the public.

Services of general public benefit should be financed on the basis of the ability to pay as determined by earning capacity and net wealth.

Policies for the Operation of State Government

The Judge Administration has attempted to develop and implement policies for social, environmental, and economic improvement that respond to the needs of the ordinary citizen and that do so at the least possible cost. This general approach has been pursued through the following types of management policies and activities:

- 1) Fiscal restraint has been imposed by not seeking any increase in general taxes and by seeking to finance property tax relief.
- 2) Support has been maintained for the progressive features of the state income tax, and the yield of the corporate tax has been improved through more aggressive auditing of out-of-state corporations.
- 3) Measures to insure citizen participation in administrative proceedings have been supported as well as the simplification of regulatory proceedings when such simplification does not conflict with citizen participation or the purposes of the laws.
- 4) Activities of state government are analyzed in the budget process in a detailed manner that focuses on proposed changes in governmental activity.
- 5) The coordination of state government activities is encouraged through the forum of "mini-cabinets" representing agencies in broad functional areas of government.
- 6) Citizen advice is actively sought through a variety of public forums conducted by the Governor and other officials.
- 7) Governmental policies are continually reviewed through the mini-cabinets, through special efforts such as the balanced growth committee, and through cooperation with legislative studies and proceedings.

8) A vigorous effort is undertaken to represent Montana's interests to the federal government and other states through direct consultation with members and committees of Congress and with executive branch officials and through active participation in a wide variety of regional and national organizations.

Alternatives are identified for addressing three issues concerning the proper operation of government: measuring the results of government activity; local government reform; and administrative decision-making.

Alternatives for Measuring Governmental Results

As noted earlier, government does not have an all-inclusive measure like a profit and loss statement to indicate how well its programs are achieving results. To measure results through data would itself require funds to conduct studies and establish those administrative procedures necessary to collect and analyze the data. How important is it to try to measure in quantitative terms the results of governmental activities? Are citizens satisfied with current methods for determining the effectiveness of governmental activities? Answering these questions would involve a choice between the following two alternatives concerning this issue.

1. Current Methods of Evaluating Programs.

The Governor and Legislature, assisted with professional staff and information from citizens and groups, review programs as a part of the state budget process. Quantitative data is used as is available to assess government activities. Under this alternative, no special effort would be made to increase the number and types of measures of the effect of government activities.

2. Increasing the Measurement of Government Results.

This alternative would attempt to add to the information available to elected officials and to the public about the effectiveness of government programs. A systematic effort would be undertaken to conduct studies necessary to produce more precise data on the results of programs. Such data would be publicly available and would be used by elected officials in the current budget decision-making process.

Alternatives for Local Government Reform

Current state laws that authorize local government to perform certain functions were primarily developed prior to the 1972 State Constitution. Since that time the Legislature has turned down proposals to modernize local government laws to reflect provisions of the new Constitution implying more flexible and active local governments. The alternatives available in this area include either continuing current laws for local government or modernizing those laws to increase both the responsibility and authority of local government.

1. Continuation of State Laws concerning Local Government.

Under this alternative, current laws that closely limit the activities of local government, especially in the case of county government, would be continued. Added flexibility would not be given to local governments to respond to circumstances in local communities.

2. Reform of State Laws concerning Local Government

Under this alternative, proposals that have been made to give increased authority, responsibility, and flexibility to local governments would be adopted. The purpose of such changes would be to strengthen local governments and enable more local solutions to local problems.

Alternatives for Administrative Decision-Making

As described earlier, much of the progressive legislation adopted in Montana in the 1970's (as well as other legislation at previous times in the state's history) has followed a form typical of the practice in American government: the Legislature has passed laws that state general policies and delegate to administrative agencies the responsibility to define those policies in more specific terms through regulations and to apply those policies to specific cases. Typically, procedural guidelines are enacted into law that require agencies to follow rules in decision-making that are intended to give a fair and open hearing to all points of view on an issue. Some view this process as necessary to facilitate governmental action where a Legislature meets biennially for a fixed period of time. Others view it as resulting in a cumbersome decision-making process that results in as many delays -- at least on important matters -- as it does in clear action. Two alternatives are possible to deal with this issue: the continuation and refinement of current practice or the adoption of methods whereby the Legislature could incorporate more specific policy direction in legislation.

1. Continuation of Current Practice

Under this option, administrative decision-making procedures would be subject to scrutiny to determine how they can proceed expeditiously without preventing

effective and fair access by citizens to the process. No basic change would occur, however, in the scope of matters delegated to administrative agencies for decision-making.

2. Increased Policy in Legislation.

This alternative would involve greater assumption of responsibility by the Legislature in defining policy in specific terms in the laws that it enacts. Administrative decision-making would still occur, but the burden on administrative processes would be reduced. To enable the Legislature to increase the degree of decisions incorporated in state law, greater reliance could be placed on political parties as representative institutions to formulate recommendations for action prior to legislative sessions.

ECONOMIC DEVELOPMENT

Conditions and Trends

Throughout its history as a state and territory Montana has had a resource-based economy characterized by the production of raw commodities that have been shipped elsewhere for processing. There are both positive and negative features to this pattern of development. Traditionally, some of the resource industries -- especially mining -- have paid high earnings to workers in comparison to other industries in Montana. In addition, the resource base of Montana is relatively broad, extending across forest products, mining, and agriculture; thus, negative trends in one sector may be offset by positive trends in another resource area. Nonetheless, national and international markets for commodities have subjected local economies, and to a lesser degree the state economy, to cycles of boom and bust. The wealth to be gained from processing raw commodities -- "value-added" in the terms of economists -- has also tended to be earned in other states.

Montana has also been dependent on conditions outside its borders for sources of capital investment. Two types of enterprises have been most prevalent in Montana: the family business and the out-of-state corporation.

The family enterprises are typically dependent on loans to finance investments. When national monetary conditions are stringent, these family enterprises too often confront shortages of financial capital. The large corporation, however, has some capacity to finance investments from retained earnings even when financial markets are tight, but in this case Montana investments must compete with investments that the firm can make in its operations elsewhere.

Recent trends in the Montana economy have included a per capita income that has lagged behind the national average by about 10%. Total employment has shown strong gains in the 1970's as population has increased moderately and as more women and young people have entered the work force. Employment has sagged, however, in the primary industries, and it has risen in retail trade and services, where jobs are often part-time and low-paying. Moreover, several areas of the state experience identifiable economic problems. The Montana Office of Commerce and Small Business Development has identified 13 counties in the state that have the greatest economic problems in terms of a combination of out-migration, high unemployment rates, slow employment growth, low per capita income, and high government subsidy.

Prospects for the future include continued uncertainty in the resource-based industries. Changing conditions

with respect to energy are and will continue to affect the state. Montana's coal resources have become increasingly valuable, but tourism has faced new challenges because of decreased vacation travel by auto. At a time when rail transportation is becoming more important to Montana's future, threats of cutbacks in rail service are occurring. Montana has experienced some diversification of its economy in the form of the manufacturing of high-value, high-quality products, and prospects exist for increasing the processing of Montana commodities. Montana's need and potential for the diversification of the economy into environmentally compatible production activities have shaped the overall direction of state government economic policy.

Montana is likely to confront increasing difficulty in maintaining and improving the quality of its transportation systems. Highway construction and maintenance costs have tended and are expected to continue to rise faster than revenues, creating the prospect of a deterioration in the road system unless additional revenues are secured. Problems of maintaining the state's rail system were brought to a crisis point in 1979 with the bankruptcy of the Milwaukee Road and the loss of one Amtrak line. The threatened loss of competitive rail freight service in Montana is likely to create serious economic, energy, and environmental impacts. Net export earnings would suffer, highways would bear

new freight burdens, energy usage would increase as trucks would substitute for rail cars, a rail monopoly would be created, and pressure would rise for coal slurry lines to export coal. As this report was prepared, the future of Milwaukee Road rail service in Montana remained in doubt and continued to be a matter of serious economic concern.

Because of airline deregulation, the availability of air service will be influenced to a greater degree by market forces and will be subject to increasing change. Both increases and decreases in service are likely to occur on a more frequent basis than in the past. Beneficial commuter air service is likely to continue to develop within the state. That development combined with the probable availability, for a certain period of years, of federal subsidies for essential air service will improve the outlook for stable air service to smaller communities. Overall, change will be the major trend in Montana air service, with the direction of that change being difficult to predict.

Balanced Growth Goals for the Economy

The achievement of economic goals is determined by the strength and vitality of the private economic sector. State government can provide the framework for positive economic activity that contributes to human needs and that is compatible with environmental goals, and state government can help to solve specific problems that arise.

However, state government cannot direct the overall performance of the state's economy. It can be a partner, helping and assisting with positive development in the state.

This partnership effort should be directed in a manner that is consistent with the full range of goals for balanced growth. The goals that directly concern the economy of Montana, except for agricultural goals which are considered in another section, include the following:

The Montana economy should be as self-sufficient and independent as possible, with the accumulation of capital occurring on a self-sustaining basis.

Montanans should have expanded opportunities to own and manage their own competitive business enterprises.

Jobs should be available for Montanans that are sufficient to avoid unacceptable levels and patterns of unemployment in the state and that provide opportunities for meaningful and satisfying work.

Jobs and business activity should be distributed, to the degree possible, in a manner that avoids excessive growth in areas limited in their capacity to absorb growth. Growth should be encouraged in areas that desire and have the capacity for additional growth.

The income gap between Montana and the rest of the nation should be progressively reduced.

Montana should influence the major corporate or federal decisions that affect the development of resources in the state.

Balanced Growth Economic Policies

The balanced growth economic policies of state government during the Judge Administration have included

the following major elements:

1) In response to the needs and desires of local communities, the state encourages economic diversification that focuses on the development of enterprises that produce high-value manufactured products or that process Montana commodities. These efforts focus on encouraging enterprises that can meet high environmental standards and that can provide good pay and working conditions for employees.

2) The state attempts to protect the strength of the resource-based sectors of the economy by providing for research and technical assistance for resource enterprises, by helping to identify markets for Montana products, and by advocating the interests of these economic sectors to the federal government.

3) The state develops and maintains a highway system, assists with airport facilities, and attempts to protect the rail system in the state.

4) Laws have been implemented to insure that economic decisions are made in a manner that takes account of the need to protect the quality of community life and the natural environment. Likewise, economic effects are considered in environmental decision-making.

5) State officials are committed to reviewing regulatory activities to eliminate outmoded regulations or unnecessary procedures and to insure that regulations are focused on matters important to the protection of the health, safety, and well-being of the people.

In terms of current level of activity, the largest amounts of tax dollars are spent on maintaining transportation facilities in the state. Another major area of expenditure is research and assistance to agricultural, mining, and forestry activities in the state. The assistance is provided in the form of information and advice on proper and effective methods of production, resource conservation, management, and marketing.

Current economic diversification efforts focus on technical assistance to communities and enterprises in their development efforts. A small loan program for new business ventures is also available. The technical assistance activities generally involve a wide variety of efforts to identify the needs of communities or enterprises and the methods of helping to satisfy those needs. The state plays a facilitative role in these efforts to help others secure the resources necessary for successful development.

Two areas will be examined here in terms of alternative methods of implementing balanced growth economic policies. These areas include economic diversification and transportation.

Alternatives for Economic Diversification

At the Governor's Balanced Growth Public Forums in December, 1978, comments such as the following were made concerning economic development:

"Process and market local products in Montana."

"Clean air and water means light clean industry."

"Jobs will keep young people here."

The question is: How and to what degree should the state attempt to foster development in the direction implied by these comments? The current state efforts at economic diversification can best be described as facilitating

assistance to communities and enterprises that are available primarily from federal and private sources. Should this role be continued? Alternatively, should the state provide more extensive assistance and support for local community development efforts? Or should the state undertake additional direct assistance to enterprises that would help diversify the economy in a beneficial manner? These three alternatives can be summarized as follows:

1. Continued State Role as Facilitator of Development.

This alternative involves a continuation of state efforts to provide technical assistance to enterprises in securing private or federal financing, and the provision of state loans in only a few selected instances on a small scale. Technical assistance to local communities on development efforts would be continued, as would advice to enterprises in securing management assistance, marketing contacts, and other resources they might need.

2. Expanded Support for Local Community Development.

This option recognizes that new enterprises grow in communities and that economic diversification is likely to be most successful and desirable when undertaken with the leadership of a local community. Expanded state efforts would be undertaken to support efforts at diversification led by local community groups and governments. Such support could include, in addition to current technical assistance, state funds to assist in support of local economic development activities. Funds could also be provided to support the operation of local small business investment companies that provide venture capital for new and expanding small businesses.

3. State Assistance for Enterprise Development

This option could be undertaken either separate from or in conjunction with the second option above. It would involve direct state assistance to new and expanding enterprises beneficial to Montana. This assistance could include a state venture capital corporation to provide necessary financing for product and enterprise development. This alternative could also include a state research and management assistance program that would help enterprises on a project basis with research to perfect new products and to provide management and marketing assistance. Fees could be charged for these services contingent on future success of the enterprises.

Alternatives for Transportation

The basic choice in the area of transportation is either to continue doing what is now being done and face the prospect of a likely deterioration of transportation services, at least for highways and rail service, or to increase the state effort at greater cost to taxpayers in an attempt to maintain the quality of transportation service. The major elements of each alternative are identified below:

1. Continuation of Current State Transportation Effort

The state would construct, resurface, and conduct major maintenance on fewer miles of road each year as revenue continued to be outstripped by costs. Continued efforts would be made to secure improved federal assistance and cooperation for maintaining the rail system. The somewhat complex 1979 state rail bonding legislation would be implemented to assist shipper, employee, or other private groups with loans to reorganize and operate segments of rail service in the state. The upgrading of air facilities would continue along with efforts to secure favorable federal policies for improving air service.

2. Expanded State Transportation Effort.

Under this alternative, resurfacing and major maintenance of roads would be held constant or improved as highway tax rates would be increased to raise additional revenues. Federal rail rehabilitation funds would be used as they could be secured to upgrade selected stretches of deteriorating roadbed. In addition, the state's new rail bonding law would be streamlined and improved to provide loans, typically to shipper and employee groups, to operate rail service. The state bonds issued to raise funds for the loans would be guaranteed with state funds so that the loans could be provided on favorable terms. If needed, aviation fuel taxes would be increased to improve efforts to upgrade air facilities.

ENERGY

Conditions and Trends

Montana is rich in energy resources and produces about $2\frac{1}{2}$ times the energy it consumes. The state is estimated to have about 36 percent of the nation's sub-bituminous coal reserves and 24 percent of its lignite reserves. Oil and natural gas resources -- the full extent of which are still being explored -- are significant. Hydroelectric power represents over 60 percent of the state's current electrical generating capacity. The potential for energy production from renewable sources -- solar, wind, and forest and agricultural products -- as well as from geothermal resources has only begun to be tapped.

Despite much greater production than consumption, Montana has encountered shortages of energy in the 1970's, including at various times shortages of gasoline, diesel fuel, or electrical energy. The potential exists for further shortages to occur if effective measures to increase energy conservation and to improve the distribution of energy are not undertaken.

The reason that Montana can be both energy rich and energy short at the same time is that Montana is part of an international system of energy production and distribution. The citizens and enterprises of this state

consume energy in forms that are different from those that it produces and in locations that are not connected to Montana energy sources. Montana relies much more on petroleum products and natural gas for consumption than on its coal reserves. The vast majority of Montana's coal-based production is currently exported. In addition, Montana's energy consumption is relatively high by some standards because of its sparse pattern of settlement, its northern climate, and some high industrial energy usage.

Because the nation has turned to Montana's energy resources as one answer to its energy problems, Montanans have faced the challenges of accelerated energy development. The citizens of this state understand that such development brings with it a complex set of economic, social, and environmental impacts. Montana responded in the 1970's to renewed energy development by putting into place a bold and imaginative framework for managing the state's energy situation. Within this framework Montana's energy policies continue to evolve in response to changing conditions. The wisdom of the decisions that established the current framework has been borne out by the absence in Montana of the severe social and environmental dislocations that have occurred in some other western states as a consequence of energy development.

Balanced Growth Goals and Energy Policy

Goals for balanced growth in every area -- economic, environmental, social, and governmental -- apply to energy policy. Those goals, listed elsewhere in this report, will not be repeated here. In the area of energy, the reason for trying to develop balanced growth policies should be eminently clear, for it is here that the diverse needs, goals, and values of Montanans come together and require the exercise of careful judgment if they are to be reconciled.

Balanced Growth Policies for Energy

To reconcile conflicting public goals as they apply to energy issues, Montana has established basic elements of its energy policies that were summarized as follows by Lt. Governor Schwindent in his 1979 Energy Progress Report to Governor Judge:

1. Present and future Montanans are entitled to a viable and sustainable economy, and a clean and healthy environment.
2. Montana's economic opportunities should be expanded, but not at the expense of a high quality environment.
3. Montanans should share their energy and natural resources with the nation and the world so long as we retain a controlling voice in how those resources are developed.
4. Energy conservation and a gradual transition to renewable energy resources must be the foundation of national, regional, and state energy policy.
5. Montanans have the responsibility, and should have the opportunity to influence our energy and growth policies and the implementation of those policies.

This general policy approach is carried out through the following energy-related laws and programs:

1. Measures for influencing the pace and impacts of energy development including:
 - a. the energy facility siting law;
 - b. the strip mining reclamation act;
 - c. a system of establishing water reservations that balances energy demands for water against other public needs for water.
 - d. coal impact assistance to communities affected by development, and
 - e. strong pollution control standards.
2. A Resource Indemnity Trust that attempts to replace finite resource losses with future fiscal assets that can be used for environmental improvement.
3. A coal severance tax to offset the depletion of Montana's coal resources and to finance the mitigation of the impacts of coal development.
4. Research and demonstration of alternative, renewable energy resources and tax credits for the same purpose.
5. An energy conservation program, Public Service Commission actions to encourage conservation, and conservation tax credits.
6. Strong representation of Montana's energy interests to the federal government.

During the balanced growth forums, Montanans expressed a wide divergence of opinion on the question of coal development. For example, on whether coal should be converted in Montana or shipped elsewhere, these opinions were expressed:

"No in-state conversion"

"In-state conversion for in-state use only"

"Use the coal here and bring industry to Montana"

Even on the more technical issue of whether the state should develop its own energy forecasting ability, opinions varied from "Seems like needless duplication" to "the state should get involved in forecasting."

In general, current state policy takes a middle ground position with respect to the divergent opinions that are sometimes expressed. The alternatives considered here involve refinements of current state policy instead of sharp changes in direction. The alternatives that are identified involve the areas of energy conservation, renewable resource development, non-renewable resource development, and energy conservation.

Alternatives for Energy Conservation

The current state administration has stressed energy conservation as a keystone in state, regional, and national energy policy. The alternatives for energy conservation presented here include either the continuation of current conservation efforts or the adoption of an enhanced conservation strategy based on an awakened public commitment to conservation. In addition, following the section on alternatives for renewable energy development is the discussion of an option for community-scale energy production that is

a method of increasing both conservation and alternate energy development.

1. Continuation of Current Effort.

Current energy conservation efforts exceed federal requirements and involve a state building code for energy efficiency in public buildings, energy auditing of industries and residences, rate structure reevaluation by the Public Service Commission, tax credits for conservation, and other measures. Under this alternative, these efforts would continue forward as at present.

2. Awakened Public Commitment to Conservation.

Under this second option, an enhanced conservation strategy would be implemented through the following kinds of steps:

a. Local governments and major industries would be asked to review and update on a regular basis energy conservation programs for their own facilities and equipment. Local citizen participation would be encouraged in developing the local government conservation program to use the talents and ideas of citizens in the effort.

b. The criteria for local government review of rural subdivisions could be modified to include a review of the energy impacts of subdivisions. Such a review could include the consideration of a number of matters including the potential use of area heating systems in subdivisions, the impact of the subdivisions on energy use caused by commuting, and any potential for transit systems.

c. State subsidies for transit systems could be used to supplement federal subsidies.

d. Residential conservation could be encouraged through the disclosure at the time of the sale of a house of the thermal efficiency characteristics of the house.

- e. Public discussion could be initiated concerning the conservation effects of the 55 mile per hour speed limit and decisions could be made on the basis of that discussion concerning the enforcement of the speed limit.

Alternatives for Renewable Energy Development

Renewable energy development involves sources of energy such as solar power, wind power, alcohol from grain, wood, hydropower, waste materials from a variety of natural sources, and other sources of energy that are renewed by nature and cannot be depleted. As in the case of energy conservation, the state's commitment to renewable energy development implies that alternatives in this area that are consistent with current state policy are limited to either continuing or adding to current efforts.

1. Continuation of Current Programs.

Montana's current research and development program, funded with coal tax revenues, is nationally recognized for its innovative character. That program, plus state tax credits for renewable energy investments, could continue to be relied on as the state's basic method of implementing its commitment to renewable energy.

2. Providing Capital for Renewable Energy Equipment.

Some equipment to harness renewable energy such as wind generators, small-scale hydroelectric turbines, alcohol fuel production facilities, some solar equipment, and other small-scale renewable energy facilities have high initial costs, but will yield substantial energy savings over a period of years. Much of this equipment has either been developed or is being adapted to Montana because of the existing state renewable energy program. The adoption of these renewable energy production methods could be enhanced if the state provided loans or loan guarantees for such equipment. Loan guarantees could be provided through coal tax funds or other tax sources. Loans or loan guarantees could overcome any limitations in the availability of funds from traditional lending sources.

Community-Scale Energy ProductionA Combined Conservation-Renewable Energy Option

In addition to the measures outlined above for conservation or renewable energy development, another option related to both topics would be to allow local governments to authorize community-scale energy projects to supplement other energy sources. The purpose of this measure would be to allow local communities to use new technology being developed for energy production that is most efficient on a small-scale. Examples include using municipal wastes to produce energy (with the side benefit of reducing water pollution), harnessing wasted heat from local industries for either power generation or area heating, and using high-temperature burners to produce heat from wood and wood wastes for area heating or energy production with very little air pollution. These methods are best used at the local level, will vary in type from community to community, and often require the coordination of local activities or development. Local governments are not permitted by current state law to authorize or establish such supplemental energy projects. Alternatives for this topic include:

1. Continue to Use Current Institutions for Energy.

Energy is now supplied principally through companies and cooperatives that deliver electrical energy or oil and gas products that are produced and distributed through systems that are efficient on a large-scale. Individual persons and businesses supply some supplemental energy for their own needs. This option would continue the structure for producing and delivering energy.

2. Allow Community Level Energy Projects.

Under this option local governments would be allowed to establish directly or indirectly through area districts community-scale energy projects. Such projects would use energy conservation and renewable energy technology that is efficient at the community level. Examples of this kind of technology are given in the discussion above. These community projects would be designed to supplement existing energy sources.

Alternatives for Non-Renewable Energy Development

Montana has established a sound framework for managing energy development. Because of this, the Judge Administration would not recommend major modifications of the standards for current regulatory policies or the level of severance taxation. Alternatives consistent with the framework of existing policy involve procedural changes instead of substantive changes -- the "how" of the policy instead of the "what" of the policy. The alternative methods suggested for implementing the state's energy development policies include: continuation of the current regulatory approach, or the adoption of an advanced planning approach to facility siting to identify areas unsuitable for development.

1. Current Regulatory Approach.

The current siting act involves the state in reacting to an evaluating the plans of energy developers. It is consistent with the view of the state as an arbiter among conflicting interests and values, and it also limits the extent of state responsibility for energy planning. Within the current approach, procedures might be improved and streamlined, but the basic state role would not be modified.

2. Advance Planning to Identify Unsuitable Sites.

In this option the state would attempt to apply its standards for energy development to identify areas from a community and natural resource impact standpoint would not be suitable as sites for major energy facilities. Such identification would notify developers that they should avoid such areas in developing their own proposals for facilities. This does not mean, however, that all other areas would be open to energy development -- proposals for other areas would be subject to the same review procedures as at present. This option would save some time and expense involved in reviewing proposals for clearly unacceptable areas and would provide the state with another tool to effect the pace and location of energy development.

Alternatives for Energy Forecasting

State government undertakes certain major responsibilities which require the ability to forecast energy demand and supply within the state. During periods of energy shortage, as has occurred with both electricity and petroleum products in the 1970's, the state either has planned or undertaken the allocation of energy supplies. Anticipating shortages before they occur can ease the adjustment to shortages and improve the measures undertaken to deal with them. On a long-term basis, under the state's facility siting law a facility cannot be constructed until the "public need" for a facility is certified. To determine the public need for a facility requires, again, projections of energy supply and demand in the state. Another area of decision-making that requires forecasts of energy supply and demand is energy conservation. The selection of the proper type and level of conservation measures requires accurate energy information.

At the present time, Montana state government does not have the ability to develop its own energy forecasts independent of the data supplied by federal and private industry sources. The statistics supplied by these sources may not reflect topics of greatest concern to the state and may not be collected by methods which state officials consider to be the best methods to use to produce accurate information. The alternative to this circumstance is for the state to develop methods of preparing energy forecasts that are useful to Montana. These alternatives are identified as follows:

1. Current State Dependence on Other Data Sources.

Under this alternative, federal and industry data would continue to be used and evaluated by state agencies in their energy decision-making.

2. Development of State Energy Forecasting Methods.

In this alternative, the state would expend funds to develop independent methods of collecting, analyzing, and projecting trends in energy supply and demand within the state.

AGRICULTURE

Conditions and Trends

Agriculture is the largest of the primary industries in Montana, employing over 35,000 people in 1977 -- or over 10 percent of total employment in the state. Although the historic pattern of agricultural market fluctuations has continued in the 1970's, those fluctuations have occurred in the context of a substantially higher level of cash receipts than in previous decades. This higher level of receipts was primarily caused by the increasing world demand for food that has caused farm exports to rise dramatically. In 1977 a third of Montana's farm sales were export sales. Montana exports more than tripled between 1972 and 1977.

The prospect of a continuation of export-led increases in farm receipts is good, provided that Montana is able to transport its agricultural commodities to points of export -- a serious problem if threatened cutbacks in rail freight service occur. The volume of agricultural exports underscores the importance of retaining effective rail service in the state. However, a separate transportation trend -- the general national increase in transportation costs -- also creates the potential for a revival of local food production and for increased food processing in the state.

The increased demand for Montana's agricultural products highlights the need to maintain the productivity of Montana's agricultural land. More intensive use of cropland and the conversion of rangeland to grain production create the potential for increased erosion of the land. In addition, urban development and rural subdivisions are converting agricultural land to non-agricultural uses. Because of the lack of uniform statistics over several decades, the precise amount and quality of agricultural land being converted to other uses is not known. What is known is that exemptions in the state's subdivision laws have allowed, according to the Department of Community Affairs, over 90% of rural subdivisions to proceed without local government review. Moreover, the exemption of lots over 20 acres in size from review procedures may very well provide an incentive for urban sprawl and for the reduction of farmland.

Insuring sufficient water for agriculture is another key factor in the future well-being of this industry. The state's water reservation process is an important tool for considering the future needs of Montana agriculture in relation to other demands for water. The state's renewable resource development fund can play an important role in providing financing for local irrigation projects. Overall, the state's efforts to maintain water quality are as important to sustained agricultural production as they are to other public goals.

The increase in agricultural production in Montana, as elsewhere, has largely occurred by substituting machines for people -- increasing the size of agricultural units and decreasing agricultural employment. As agriculture has become more capital intensive, it has become more difficult for new farmers to accumulate the necessary capital for both land and equipment.

Balanced Growth Goals for Agriculture

The Governor's Balanced Growth Committee has recommended the following goals that relate to agriculture:

A strong agricultural base, with dispersed ownership, should be retained. Prime agricultural resources should be protected from unnecessary diversion from other uses.

Whenever possible, natural resources should be used and maintained in a condition that allows for their reuse in the future on a sustained yield basis. Whenever reuse is not possible, the loss of a resource from the resource base should be mitigated.

These goals reflect a broad and balanced concern for maintaining economic, social, and environmental conditions that are supportive of a high quality of life in rural Montana. Underlying the goals is a belief that the wise use or conservation of resources provides a sound basis for reconciling economic and environmental needs within agriculture. The goals reflect the view also that the stewardship of resources and the well-being of rural communities and families is served by having farmers and ranchers own their land to the degree possible.

Balanced Growth Policies for Agriculture

The state of Montana undertakes activities to promote a stable, long-term economic and resource base for agriculture. The state obviously cannot manage national and international agricultural markets, but it does attempt to insure that Montana's farmers and ranchers can enter those markets on a sustained, competitive basis. Doing so involves the state in a wide variety of activities including:

1. Encouraging the export of Montana agricultural products in cooperation with private and regional organizations;
2. Conducting research and extension activities that focus on improving production and marketing conditions in agriculture;
3. Encouraging the conservation of land resources through soil conservation and mine reclamation programs and through statutes regulating land development;
4. Protecting water resources for agriculture through the state water reservation and appropriations process, the financing of irrigation development, and the protection of the quality of water resources;
5. Encouraging and assisting local development efforts, such as the Montana Livestock Cooperative in Great Falls and the proposed Montana Ranch Beef plant in Harlowton, that increase the processing of Montana agricultural products in the state;
6. Maintaining a state highway system, encouraging favorable federal policies and actions concerning transportation -- with emphasis on rail transportation, and participating in efforts to rehabilitate and retain rail service in the state;
7. Representing the needs of Montana agriculture and rural communities to the federal government; and
8. Conducting agricultural regulatory activities to encourage fair and effective markets and to protect the health and safety of farmers and ranchers.

Other activities of the state also affect agriculture, but the above involve those with the greatest impact on agriculture. Some of these activities are long-standing state efforts. Others, such as export development and resource conservation, are areas in which important new strides have been made in the 1970's. Of special importance in the resource conservation area are the enactment of strong mine reclamation statutes, the establishment of a water reservation and appropriation procedure, the forging of a cooperative relationship between the State Water Quality Bureau and conservation districts in non-point source pollution control, and the establishment of a Renewable Resources Development Fund that can finance both irrigation development and soil conservation practices.

Alternative methods of implementing these agriculturally-related policies are discussed here only in a few of the policy areas. The other areas, transportation for example, are discussed elsewhere in this report or involve activities of a well-established, continuing character. What is discussed here are alternatives for protecting prime agricultural land, for encouraging dispersed land ownership, and for developing new products and markets.

Alternatives for Protecting Prime Agricultural Land

As noted earlier, a process is occurring whereby cropland is being converted to residential and other uses and rangeland is broken up for crop purposes. Some view this process as an acceptable result of market forces. Others view it as involving, because the land resource base is fixed, an unacceptable depletion of the state's agricultural productivity.

The conversion of agricultural land to other uses can be affected by local government land use decisions. However, local governments are not required to consider the preservation of the state's best agricultural land in their zoning and subdivision decisions. In addition, state law exempts a major portion of subdivisions from local government review. Two significant exemptions include the sale of parcels of land with lots more than 20 acres and "occasional sales" which include the sale of one parcel of land per year. Together, these two exemptions mean that an original parcel over 20 acres in size can be divided over a period of years and without local government review into a rural residential subdivision. Some also believe that the exemption of lots over 20 acres results in an increase in the land removed from effective agricultural production.

Alternatives concerning this topic include the following:

1. Continuation of Current Land Development Laws.

This option would involve the continuation of laws that exempt a majority of residential subdivisions from local government review and that do not require local governments to use their zoning or other land regulatory powers to protect agricultural land.

2. Expanded Subdivision Review.

This option would involve making subject to local government review subdivisions with lots greater than 20 acres in size when such subdivisions are being made to convert the land to nonagricultural uses.

3. Local Agricultural Land Protection Policies.

This option would involve requiring local governments to include in their comprehensive plans provisions for indentifying and protecting prime agricultural land and to utilize the full range of their land development regulatory powers to preserve such lands for agriculture. Where such lands are also prospects for urban development, development rights might be purchased and transferred to other land more acceptable for development. The state could provide financial assistance to local governments for the purchase of development rights.

Alternatives for New Agricultural Products and Markets

As noted earlier, Montana exports about one-third of its agricultural commodities, and new prospects for increased agricultural processing and food production in Montana may also be developing. The following are options for developing new agricultural products and markets in response to these trends:

1. Continuation of Current Efforts.

Current efforts of product development and marketing would continue as at present under this option. Product
(continued)

development research would be conducted by the state on the basis of production conditions in Montana and general knowledge about changing market conditions. The state would continue to work generally with private firms and representatives of regional organizations and foreign nations and enterprises to arrange for sales of Montana agricultural products. Special work of this type would continue through the Montana Wheat Commission.

2. Expanded Export Strategy.

The key feature of this option would be expanded research to identify emerging agricultural product markets and their special characteristics. Such markets might be in the U.S. or in foreign nations. The information from these efforts would be used to guide new agricultural production researched targeted at the new markets. Costs for agricultural research would increase because of the added activity in this area.

3. Export Expansion and Increased Food Production and Processing in Montana.

This option would be similar to the second one above, except an effort would also be launched to identify cases where Montana farmers and ranchers and Montana processors could substitute products for those now imported. The trend toward local processing of meat and grain products and local truck farming around urban areas would be encouraged. This option is based on the view that with changing transportation costs and conditions, the possibility exists for substituting Montana raised and processed food for products imported from elsewhere. More Montana processing could also reduce the weight and increase the value of the state's food exports.

Alternatives for Encouraging Dispersed Land Ownership

Historically, the ownership of private agricultural land has been the consequence of both federal policies and private market forces. Because of the increased capital requirements in agriculture, concern is sometimes expressed that it is too difficult for new farmers and ranchers to get established and that the historic pattern of farmers

and ranchers owning their own land could be weakened. Again, options reflecting varying opinions include the following:

1. No State Involvement.

Under this option, the state would not attempt any major efforts to affect the pattern of land ownership. The financing of land for agriculture would be left a private and federal responsibility.

2. Expanded Research for Small and Medium Scale Farms.

Under this option the state would finance increased research in universities and on farms and ranches focused on methods of reducing the capital required for efficient farm production. The research would emphasize production techniques that could be used and financed by small and medium scale farms and ranches so that they could be relatively more competitive with larger scale operations.

3. State Farm Security Program.

Patterned after the Minnesota Farm Security Act, the state could establish a program to assist farm ownership through a combination of two methods: a) ~~guaranteeing loans for~~ farm and ranch purchases, and b) providing funds to adjust loan and interest payments so that they are lower in early years when the new farmer needs help and higher in later years after the farmer is established. Coal tax funds would be a possible source for financing the program.

4. State Land Bank Program.

Patterned after the Saskatchewan Land Bank and a proposal by the 1978 Montana Legislative Coal Tax Oversight Committee, the state would purchase land from willing sellers and would lease the land to new farmers and ranchers with an option to buy to be exercised within a fixed period. The program would also provide the means to reorganize large holdings into smaller, but economically viable units. Under this option, coal tax funds would be a possible source of financing.

ENVIRONMENTAL PROTECTION

Conditions and Trends

Much of this report has already focused on protecting the Montana environment in the course of making decisions concerning energy, economic development, agriculture, and other areas. That decisions in these other areas must take into account their impact on the environment is a matter of state and federal law implemented on a firm basis as a matter of policy in the current state administration. The discussion here will focus on the more limited question of pollution control.

The high quality of Montana's natural environment need not be recounted for Montanans. The quality and beauty of the environment is overwhelming in comparison to the natural resources of most other states. This fact increases the responsibility borne by Montanans for the protection of these resources.

Problems of air pollution and water pollution are serious in some areas of the state. Combinations of geography and climate, especially in western mountain valleys, tends to air pollution problems especially in the winter. The greatest water pollution problems in the state are caused by "non-point" sources of pollution. These sources include any major activity that disturbs the

land and causes additional erosion. Such activity can result from urban development, agriculture, forestry, and mining. Mining reclamation laws, soil conservation programs, and areawide water management programs help to address this problem.

Balanced Growth Goals for the Environment

The Governor's Balanced Growth Committee has recommended the following goals for the protection and management of Montana's natural resources:

Whenever possible, natural resources should be used and maintained in a conditions that allows for their reuse in the future on a sustained yield basis. Whenever reuse is not possible, the loss of a resource from the resource base should be mitigated.

The environment of the state should not be significantly degraded, and levels of pollution should be decreased for those areas with recognized pollution problems.

Areas with high quality environmental, historical, or recreational values should have those values protected.

Balanced Growth Policies for the Environment

The State of Montana's commitment to protecting the environment begins with the provisions in the 1972 Constitution establishing the right of citizens to a clean and healthful environment. Extensive policies and programs are undertaken to fulfill this commitment. The state's overall framework for resource management and protection is more comprehensive and effective than the efforts of a majority of the states in this nation. Among

the elements of this framework (many of which are mentioned elsewhere) are the following:

1. Water and air pollution control programs that meet and exceed federal requirements and that include special studies for the major air pollution problems that occur in mountain valleys and populated areas;
2. An advanced water reservation system that provides for balancing water needs among competing uses and allows for reservations for environmental purposes;
3. Forest management and soil conservation programs to promote sustained production over time and to protect land resources.
4. An extensive set of energy siting, impact assistance, mining reclamation, severance taxation, and alternate energy programs discussed in the energy section of this report;
5. Extensive wildlife and recreational management programs;

As noted, because life in Montana is vitally dependent on quality natural resources, many resource-related alternatives are discussed elsewhere in this report. Attention is given here to a problem involving a major trade-off among balanced growth goals: the enforcement of pollution control regulations with respect to outmoded industrial facilities with a large number of employees. New enterprises in Montana must comply with its strict environmental standards. Although controversy arises about how to apply those standards to new enterprises, the basic framework exists for insuring the protection of the state's resources in these cases. However, older enterprises present greater problems because investments

in pollution control equipment can endanger continued operation of facilities on which many jobs depend. In these cases, the state has allowed for variances -- temporary exceptions or exemptions to the standards -- to allow time to install the necessary pollution control equipment. Such variances or exceptions allow environmental damage to continue for fixed periods of time; however, variances can be renewed.

Alternatives for Pollution Control Enforcement

Two options are possible for resolving the problems associated with pollution control requirements for major, but old industrial facilities within the framework of balanced growth policies:

1. Continuation of Current Approach.

Under this option, the current case by case consideration of variances would continue, with variances or exceptions granted where they appear reasonable and where the industry files a plan for complying with the environmental standards.

2. Pollution Tax - Enterprise Development Alternative.

Under this option, industries that wanted to secure a variance would also have to pay a pollution tax during the time period of the variance. The tax would increase with the amount of pollution and with every extension of the variance. The purpose of the tax would be to give the industry an increased incentive to comply with environmental standards. The tax would be removed when the industry was able to comply. In addition, vigorous efforts would be made to develop alternative job opportunities in the affected areas if desired by local officials. Such opportunities would be encouraged through enterprises not posing new pollution problems.

HUMAN SERVICES AND EDUCATION

Conditions and Trends

Ultimately the purpose of governmental activity in a democracy is to serve the well-being of people. The well-being of people is considered here to mean that individuals have the maximum possible opportunity to develop and use their talents and abilities and to enjoy the benefits of society. In this sense, most if not all governmental policy is human service policy.

In practice, human service policy is identified with a certain set of health, social service, education, and correctional programs. Although it is convenient to identify human service policy with a particular set of programs, that identification can obscure the fact that specific health, social, and educational needs are connected in a complex way with broad economic, social, and environmental conditions. These conditions, in turn, are affected by policies in other areas of governmental activity. Coming full circle, human service policy is related to other governmental policies, and that relationship is a major reason why a balanced growth effort is necessary.

The economic development section of this report reviews general job and income conditions in Montana

and notes that personal income in the state has lagged behind the nation by about 10 percent in recent years. The level of economic poverty in Montana has, however, been slightly less than that of the rest of the nation, indicating a distribution of income that is somewhat more equitable than occurs elsewhere. This somewhat more favorable distribution of income is a result of the pattern of earnings from work and is not a consequence of public assistance payments. Montana's programs of income maintenance provide payments that are substantially below the national average. In addition, the number of persons receiving public income support has declined slightly in the 1970's. Montana has also been recognized for its relatively high rate of success in transferring persons from income support to self-support through productive work.

Unlike payments for income support, payments under the Medicaid program in Montana have exceeded the national average. A special problem in this area has been financing the cost and insuring the quality of long-term care for elderly persons. Although this problem has been approached by changing the way that nursing homes are paid for the care of the elderly and disabled, the development of alternative methods of care that are high in quality and relatively lower in cost remains an important issue to be resolved.

The overall physical and mental well-being of Montanans does not appear to vary substantially from conditions elsewhere in the U.S. The death rate among Montanans is slightly lower than the national average. As elsewhere, disease and disability occurs increasingly in the form of heart disease, cancer, and accidents -- conditions associated with lifestyle, the environment, and occupational conditions. Rates of suicide and alcoholism exceed the national average. Accidents, the majority of which involve motor vehicles, are the leading cause of death for all age groups except for those over 65 in Montana.

Disabilities arise from problems of infant development before and after birth, from chronic diseases, and from accidents. Cases of disability due to work-related injuries exceeded 32,000 in 1978 and have increased by over 27 percent in Montana in 10 years. Developmental disabilities, principally cases of mental retardation, epilepsy, and cerebral palsy, affect over 9,300 persons in Montana. Although infant mortality is declining in the state, disabilities associated with conditions of infant development may not necessarily decline to the same degree. This estimate is based on the fact that the proportion of pregnancies among "high-risk" mothers, principally unmarried teenage mothers, is increasing.

Stable family life is often looked to as a basic resource helping to prevent or alleviate social problems. Although the popular stereotype is that rural states tend to have more stable families than urban states, that stereotype is not supported by the facts as they occur in Montana. The rate of divorce has increased rapidly in the past decade in the state and continues at a rate well above the national average. The impact of a high divorce rate on the health and social problems of Montana remain to be explored.

The level of educational attainment in Montana generally exceeds the national average. The ability of the state to maintain educational opportunities will be tested in future years because of changes in the size of the school-age population. Assuming the past trends in migration, projections made by the Western Interstate Compact for Higher Education, indicate that the state's elementary school population should stabilize over the next decade, although changes between and within local areas may be significant. The high school age population should continue a general decline before beginning a more stable pattern in the mid-1980's. It is at the college level that the most severe declines in potential population are likely to occur in the immediate future. The traditional college age population is projected to decline within Montana by nearly one-fourth over the

next twenty years. That decline, unless offset by other factors, could create significant problems for maintaining the opportunities provided by the state's system of higher education.

Balanced Growth Social Goals

The Governor's Balanced Growth Committee has recommended the following social goals for Montana:

Social patterns should be encouraged that support individuals in family groups which serve the needs of their members for personal care and development.

Individual sense of security and freedom from fear for life or property should be guaranteed.

Individuals unable to provide for themselves should be provided the basic necessities of life in a manner that protects their dignity within their home communities if possible.

Equal opportunities should be available for individuals to develop their capacities to their full potential. Personal development should not be impeded by discrimination by race, sex, religion, creed, or national origin.

The general incidence of disease and disability should be reduced.

Access to necessary medical care should not be denied for financial reasons. The total cost of medical care should be at a level that can be effectively borne by Montanans, individually or together.

Opportunities for learning should be as diverse and as widely available as is practical. Knowledge of Montana and its people, its resources, and its heritage should be continuously developed and made available to the public.

Balanced Growth Social Policies

Montanans provide through state government a broad range of activities related to these social goals. The general social policies of the state can be summarized as follows:

1. Providing persons living in state institutions with training and rehabilitation appropriate to their needs in addition to personal care.
2. Developing community-based alternatives to institutional care, especially for the developmentally disabled and the mentally ill, that allow treatment and rehabilitation to proceed in the least restrictive environment possible;
3. Providing as a broad a range of educational opportunities as possible, consistent with limited public resources.
4. Enforcing state and federal laws prohibiting discrimination;
5. Seeking on a continuing basis new ways to provide and manage human services that reduce costs, but maintain or improve the quality of services;
6. Reducing dangers to public health arising from pollution, safety hazards, epidemics, and unsanitary conditions, and providing information, education, and services useful to persons in safeguarding their health.

A special focus in state human services policy has been the substantial change in care provided at state institutions. Persons who had been inappropriately placed at institutions have been transferred to community-based programs that are both less costly and more effective in serving the needs of the person being served. At the same time the level and type of care has been dramatically

improved at state institutions so that persons are not longer warehoused, but are given treatment and opportunities for development that are appropriate to their needs.

State policy for much of the human service area is heavily restricted by federal laws and policies that accompany the provision of substantial federal funds for these programs. For example, development of alternatives for the long-term care of the elderly have been limited by restrictions on Medicaid funds for the support of the elderly in facilities other than nursing homes. Changes in the state's approach to human services must often await changes in federal policy.

Alternatives are identified below for institutional care, for preventing health and social problems, for providing general health and social services to the public, and for higher education funding.

Alternatives to Institutional Care

The major focus of the state's "deinstitutionalization" efforts has been persons with developmental disabilities, mental health problems, and alcoholism or drug-abuse problems. The options suggested below involve extending this approach further in the case of long-term care for the elderly and disabled and in the area of corrections. It should be emphasized that these options are separate and distinct from each other. Unlike most other options

in this paper, choosing one of these does not affect the choice of the other in any direct way.

1. Alternatives for Long-Term Care for Elderly and Disabled Persons.

This option would involve financing alternatives to nursing home care such as adult day care, expanded home care services, and group homes. For many elderly and disabled persons, a nursing home may provide the best living situation. Others now in such homes may, however, be better served at less cost through one of these alternatives. Initial funding for some of the proposed forms of care might come from state sources until approval could be secured for greater use of federal funds.

2. Pre-Release Centers for Criminal Offenders.

The vast majority of persons sent to prison for crimes return to society. Pre-release centers -- closely supervised group homes for offenders -- are a method of reintroducing a prisoner nearing the end of his term to society. The centers could also reduce costs and overcrowding at the state prison. One center is being established in the state. Under this option, a phased expansion of pre-release centers would occur.

Alternatives for Preventing Health and Social Problems

In almost every case of chronic disease, disabilities, and mental illness "an ounce of prevention is worth a pound of cure." Preventive approaches to these problems have not been intensively used. In many cases, the appropriate methods of prevention are not completely clear. Nonetheless, alternative approaches are possible and include:

1. Prevention of Problems of Infant Development.

Under this option problems of infant development would be focused on because such problems are both tragic in human terms and involve high costs to society over a long period of years. Expanded health screening

of pregnant women and infants would be undertaken to identify and treat problems of infant development as soon as possible. General health and nutrition education for pregnant women and mothers of infants would be expanded. Methods of reducing the incidence of pregnancy in high-risk cases would be studied.

2. General Health Problem Prevention.

This option would involve efforts that include, but add to, those under the first option above. These efforts would include efforts such as increased general health and nutrition education, anti-smoking measures, and increased traffic enforcement. Expanded efforts to reduce injuries at work would be undertaken to try to reverse the increasing number of these injuries on the job. The development of health maintenance organizations would be encouraged; these organizations provide health care for a prepaid fee, and they generally have an incentive for keeping their members healthy. Continued study and elimination of pollution problems posing the greatest public health hazards would occur.

3. Reducing Mobility through Community Development.

For several decades rural states have been exporting young people elsewhere to find jobs because opportunities did not exist in their home communities. This movement in search of jobs has tended to reduce the degree to which members of different generations of the same family could help each other in times of need. To some degree families used to provide "services" or support for their own members that must now be provided by government. In many instances the family support was better because it could prevent problems before they became more serious. This option would involve full efforts to implement measures described in the economic development section to develop environmentally-compatible, community-based enterprises. This option would hopefully result in more jobs in communities so that less pressure occurred for having younger members of families move elsewhere for jobs. This option would not replace the other options listed, but could supplement them.

Alternatives for General Health and Social Services

The general pattern of the providing health and social services involves the use of highly specialized

agencies and trained personnel that each work on helping persons with different parts of problems that they might be confronting. Some believe that this pattern of providing services is over-specialized, increases costs, and fails to deal adequately with the full range of needs of individuals and families. Alternatives for making the pattern of providing these services more flexible include the options which are not mutually exclusive:

1. Coordinated Social Service Agencies and Personnel Trained in More Than One Program.

Under this option, specialized human service agencies would be more closely coordinated by locating their offices together and through increased efforts to respond to the needs of persons who require services from more than one program. In addition, efforts would be made to train personnel who could provide services, especially in rural areas, under a variety of programs. Federal laws and regulations pose significant problems for implementing this option, because some of those laws require a separation of the administration of programs.

2. Expanded Services by Medical Professionals.

Under this option, training and certification would be expanded to allow medical personnel other than doctors to perform services now restricted to doctors. Expanded services would become available from mid-wives, nurse practitioners, and other medically-trained persons.

Alternatives for Higher Education Funding

Higher education in Montana confronts the possibility of major declines in enrollment over the next two decades unless current and expected trends change. Determining how to allocate funds within higher education is already a major issue and will continue to be so in future years.

Currently the state allocates funds to colleges and universities on an enrollment or per pupil basis. Some believe that this approach is satisfactory when enrollment is either increasing or changing only slightly, but that when enrollments decline sharply it is not a proper method of allocation. According to this view enrollment formulas treat all educational costs as costs that vary when the number of students changes, but some costs of education are fixed or overhead costs that cannot change readily with changing enrollment. In other words, it is argued that there are basic costs of each program or institution regardless of the number of students enrolled. Others argue that the number of students are still the biggest factor in determining the cost of education and should be use as an allocation formula even in times of major enrollment declines. In addition, major differences between schools in overhead costs can be recognized by varying the amount given per pupil to each school. A study of this matter is now underway by a state legislative committee.

Alternative approaches include the following:

1. Retaining an Enrollment-Based Formula.

Under this option, the state would continue to allocate funds to colleges and universities on the basis of enrollment. Relatively greater funding would be provided to the schools with the most favorable enrollment trends.

2. Adopting an Overhead Cost Approach.

Under this option, costs of higher education would be divided into the two categories of overhead and variable costs. Judgments would be made first on the amounts to be provided to each school for overhead costs. Remaining funds would be allocated for variable costs on the basis of enrollment. Schools with less favorable enrollment trends would tend to be favored by this option.

3. Generating Greater Non-Tax Funds for Higher Education

Another approach would be to try to ease the general funding problems of higher education by finding more non-tax sources of funds for higher education. Possibilities that could be considered include: intensified efforts to raise private contributions for the state's institutions; adding tuition charges for graduate and professional education that would be due and payable over a period of years after graduation as a percentage of income; and increased recruitment of out-of-state students. Each of these possible efforts would be examined and considered on its own merits. This option would supplement and not replace the other options.

